

Message Text

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C O N F I D E N T I A L MOSCOW 3737

USDOC FOR BEWT/DOWNEY

E.O. 11652: GDS

TAGS: ETRN, ETRD, UR, US

SUBJECT: BOEING-SOVIET NEGOTIATIONS

1. SUMMARY: BOEING AIRCRAFT OFFICIALS DESCRIBED LATEST ROUND OF TALKS WITH SOVIETS AS CHARACTERIZED BY "INCHING AHEAD." GVISHIANI INDICATED THAT U.S. APPROACH IN CONTEXT OF UPCOMING COMMERCIAL COMMISSION MEETING MIGHT WELL HELP COMPANY'S CHANCES. END SUMMARY.

2. COMMATT MET WITH BOEING COMMERCIAL AIRCRAFT PRESIDENT BOUILLON, VICE PRESIDENT LUPLOW AND CONSULTANT N. CHORINE MARCH 19 TO DISCUSS LATEST ROUND OF NEGOTIATIONS ON 747 SALE. ACCORDING TO BOUILLON, MAJOR PURPOSE OF THESE TALKS, FROM BOEING'S POINT OF VIEW, HAD BEEN TO PUT SOVIETS ON NOTICE THAT FOUR YEARS OF NEGOTIATIONS SHOULD BE ADEQUATE AND THAT BUSINESS SHOULD NOW MATERIALIZE. HE SAID HE THOUGHT MESSAGE HAD GOTTEN THROUGH, AT LEAST TO SOME OF HIS SOVIET INTERLOCUTORS, BUT HE ADMITTED THAT FINAL OUTCOME WAS NOT YET CLEAR.

3. NOT SURPRISINGLY, BOEING OFFICIALS FOUND MOST POSITIVE RESPONSE FROM STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY DEPUTY CHAIRMAN G.M. GVISHIANI, WHOM BOEING REGARDS AS STRONG
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PROPONENT OF SOVIET PURCHASE OF U.S. WIDE-BODIED AIRCRAFT.

ACCORDING TO LUPLOW AND CHORINE, GVISHIANI MADE POINT OF NOTING THAT UNDER SECRETARY ROBINSON WOULD BE IN MOSCOW SHORTLY FOR MEETING OF JOINT COMMERCIAL COMMISSION, AND HE IMPLIED THAT IF UNDER SECRETARY WERE TO RAISE BOEING NEGOTIATIONS AND PRESS FOR POSITIVE SOVIET DECISION, THIS COULD HELP BOEING'S CAUSE. (COMMENT: BOEING OFFICIALS INDICATED THAT THEY PLANNED TO RAISE THIS POSSIBILITY WITH INTERESTED WASHINGTON AGENCIES UPON THEIR RETURN TO U.S. END COMMENT

4. ON BASIS DISCUSSIONS WITH SOVIETS, BOEING HAS COME TO CONCLUSION THAT MAJOR REMAINING OBSTACLE TO SOVIET PURCHASE OF 747'S IS PSYCHOLOGICAL. THEY DO NOT BELIEVE THAT FINANCING IS MAJOR PROBLEM, EVEN IN ABSENCE OF EX-IM BANK ROLE. IN THEIR VIEW SOVIETS WILL HAVE TO REACH DECISION ON WHETHER TO BUY 747'S, OR SOME OTHER U.S. WIDE-BODIED PLANE, OR PROCEED WITH DEVELOPMENT OF IL-86, WITHIN TWO-THREE MONTHS. BOEING ALSO BELIEVES THAT SOVIETS HAVE SOME DIFFICULT DECISIONS TO MAKE IN THE COMMERCIAL AIRCRAFT PRODUCTION AREA, GIVEN FACT THAT THREE COSTLY PROGRAMS, TU-144, IL-86 AND YAK-42, WILL ALL BE COMING UP FOR LARGE FUNDING REQUIREMENTS. CLEARLY, THEIR HOPE IS THAT COMBINATION OF TIMING, I.E. INTRODUCE WIDE-BODIED AIRCRAFT IN 1976 RATHER THAN IN 1980 OR LATER, AND POSTULATED FINANCIAL SQUEEZE, WILL WORK IN BOEING'S FAVOR.

5. ALTHOUGH BOEING HAS OFFERED 747 TO SOVIETS IN THREE ENGINE VARIANTS, P&W JT9D, GE-6 OR RB-211 GROWTH VERSION, THEY BELIEVE SOVIETS WILL OPT FOR PRATTS, PARTICULARLY SINCE RB-211 GROWTH VERSION IS SURROUNDED BY QUESTION MARKS, AMONG THEM FINANCING. BOEING RECOGNIZES, HOWEVER, THAT AVAILABILITY OF UK CREDIT AND ASSUMED GREATER WILLINGNESS OF ROLLS-ROYCE TO LICENSE TECHNOLOGY MAY TILT ENGINE CHOICE IN FAVOR OF UK.
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